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UNION ACCEPTANCE CORPORATION LIMITED

ANNUAL REPORT 1968

Highlights of Operating Results

	1968	1967
Total Assets	$57,505,884	$57,195,950
Contracts Receivable, less allowance for doubtful receivables and unearned service charges	55,054,278	55,003,608
Gross Income	9,063,251	8,738,981
Unearned Service Charges	4,749,990	6,049,217
Retained Earnings	3,149,326	2,647,408
Income Before Income Taxes	1,333,750	1,220,844
Income Taxes	693,291	616,148
Net Income	640,459	604,696
First Preference share dividends	148,179	157,411
Earnings on Second Preference and Common shares	492,280	447,285
Per Share	.55	.50

Directors and Officers

Directors
Frank E. Burroughes
Matthew C. Deans
G. Fleming Edgar
M. L. Goeglein
Arthur J. Milner
Paul Britton Paine, Q.C.
Jack A. Seed, Q.C.
Warren Y. Soper
W. I. M. Turner, Jr.

Executive Committee
Frank E. Burroughes
G. Fleming Edgar
Paul Britton Paine, Q.C.
Warren Y. Soper

Executive Officers
Frank E. Burroughes, *Chairman of the Board*
G. Fleming Edgar, *President*
Max C. Mitchell, *Vice-President and General Manager*
Norman T. Stott, *Vice-President and Secretary*
Howard L. Smith, *Vice-President and Treasurer*
William F. Bethune, *Vice-President and General Sales Manager*
John C. Hasler, *Vice-President—Operations*
Clifford G. Simpson, *Vice-President—Operations*
Alan R. Parks, *Vice-President and General Manager*
Union Finance Company Limited
United Finance Company Limited

Bankers
Canadian Imperial Bank of Commerce
Bank of Montreal
Manufacturers Hanover Trust Company

Auditors
Peat, Marwick, Mitchell & Co., and Thorne, Gunn, Helliwell & Christenson

Solicitors
Seed, Nield, Symons, Long & Howard

Transfer Agent and Registrar
The Canada Trust Company

Trustees
Secured Notes : National Trust Company, Limited
Debentures : The Canada Trust Company

Member of
Federated Council of Sales Finance Companies
Canadian Consumer Loan Association

Shares Listed
The Toronto Stock Exchange

Wholly Owned Subsidiary Companies
Union Finance Company Limited
United Finance Company Limited
Union Leasing Company Limited
Union Realty Credit Limited

Report of the Directors to the Shareholders

Your Directors are pleased to submit the Consolidated Balance Sheet together with the Statements of Income and Retained Earnings for the year ended December 31, 1968.

Operations

The trend of improved operating results during 1967 continued through 1968 and the year saw many accomplishments. There was improvement in the earnings for each quarter compared with the corresponding period in the previous year. Final net income increased by 5.9% to $640,459, compared with $604,696 for the previous year. After First Preference share dividends, earnings on a participating basis on the Second Preference and Common shares of the Company amounted to 55¢ per share, compared with 50¢ per share for 1967, an increase of 10%.

The volume of business transacted by the Company increased to $61,188,215 compared with $60,672,805 in 1967. Gross retail contracts receivable at the year-end were $59,810,754 compared with $60,631,486 a year ago. Wholesale receivables were permitted to decline from $1,584,381 to $1,238,544.

Throughout the year customer demand for your Company's services was strong, but the Company's ability to meet the demand was restrained due to the restricted availability of additional funds. Any material increase in receivables or expansion of operations is contingent upon the Company being able to arrange debt financing on favourable terms. In general, long term funds remained expensive. Therefore, your Board of Directors, giving full consideration both to the availability and cost of funds, considered it inadvisable to offer the Company's long term securities either to the public or by way of private placement during the year. In September, market conditions permitted the Company to offer publicly an issue of 8% Three Year Secured Notes. The issue was made available through the Company's fiscal agents to all members of the Investment Dealers' Association of Canada. Approximately $2,000,000 was placed with a large number of Canadians, many of whom invested in your Company for the first time. This was the Company's first attempt to enter the medium term market and the response was gratifying.

In the Company's money market operations, Short Term Secured Notes continued to be well received both by investment dealers and by investors. This source of funds supplied a steady flow of short term money as required on a temporary basis and at advantageous rates. At the year-end Short Term Secured Notes (including the Three Year Notes) were $4,776,000. This total was exclusive of short term borrowing from banks and an affiliated company, and compares with $2,479,000 at the end of 1967.

In the early months consolidation of branch operations continued where it was deemed constructive and considered not unduly restrictive to the Company's market potential. This reduced operating expense and increased profit and did not impair your Company's ability to obtain the volume of business required to maintain receivables at a level consistent with cash flow. Through the year 19 acceptance and 53 consumer loan branches continued to offer the Company's services in 8 provinces.

A decrease in unearned service charges has resulted from a change in operating policy in the consumer loan division. In prior years consumer loans over $1500 were written on a discount basis and the differential was credited to unearned service charges. Since January 1, 1968, such loans have been written on an interest bearing basis and accordingly income is recorded only as it is collected.

Cost of borrowed funds increased, in line with generally higher interest rates prevailing throughout most of the year. This increase in cost was to an extent offset by the Company's ability to secure a higher return on average funds employed.

Continued careful credit scrutiny resulted in a decrease in delinquency and reduced loss write-offs. In addition repossession inventory reduced from $244,722 at the prior year-end to $97,613 at the close of the fiscal period. In the acceptance division, the dollar amount of repossessions on hand was reduced to less than ¼ of 1% of retail receivables, the lowest in the past ten years. In the consumer loan division, where repossessions are not a significant factor, the percentage was reduced moderately. Losses declined by 15.9% compared with 1967. At December 31, 1968 the allowance for doubtful receivables totalled $1,349,996 or 2.45% of net receivables.

The provision for doubtful receivables (previously included in administrative and general expenses on the consolidated statement of income) is now shown as a separate expense item. The provision for 1968 was $942,159 compared with $1,016,478 a year ago.

Income and expenses

Because the Company continued to utilize available funds at improved yields, gross income from all sources increased 2.5% to $9,063,251 compared with $8,738,981 in 1967. The cost of borrowed funds increased to $3,190,082 from $2,974,238. Careful control of operating costs resulted in administrative and

general expenses being held to $3,313,759, up .28 of 1% from $3,224,782 in the previous year. The balance of branch development costs resulting from opening new branches has been written off.

Dividends
During the year annual dividends of $3.125 per share were paid on the outstanding First Preference shares, Series A and B, and $3.00 per share on the outstanding First Preference shares, Series C. Your Directors, when deciding against the payment of dividends on the Second Preference and Common shares, considered that the long term interests of shareholders would be better served by conservation of cash resources. The employment of these resources in the business has resulted in improved earnings and increased net worth. No change in this policy is presently contemplated.

Assets
Contracts receivable, after deducting the allowance for doubtful receivables and unearned service charges, amounted to $55,054,278 compared with $55,003,608 in the previous year. Unearned service charges amounted to $4,749,990 or 11.7% of related receivables, compared with $6,049,217 or 12.6% at the end of 1967. The reduction in this item results from the discontinuance of discounting loans over $1500 in the consumer loan division. Reference should be made to Note 2 to the accompanying consolidated financial statements for a complete explanation of the method of recording income from contracts.

Liabilities
$644,000 Series A Secured Notes matured on March 15, 1968. In addition debentures and long term secured notes having a par value of $285,000 were retired to satisfy purchase and sinking funds and serial maturities.

In order to satisfy purchase fund requirements 2,634 First Preference shares, Series A, B and C were redeemed during the year.

Outlook
Early in January, 1969, Laurentide Financial Corporation Ltd. purchased the controlling interest (335,081 Common shares, representing 70.7% of the voting shares) in your Company formerly held by the Banque de Paris et des Pays-Bas group. On February 4, 1969, it acquired from the same group 41,950 Participating Non-voting Second Preference shares. The controlling shareholder is a major and experienced company in the finance industry and the Directors welcome this new association.

In February, 1969, Mr. J. A. Weldon, who indicated his desire to restrict his business activities, and Messrs. C. M. Cardin and J. V. Barbat, who represented the interests of the Banque de Paris et des Pays-Bas group, resigned from the Board of Directors. The Directors express their thanks and appreciation for their valued advice during their respective terms of office. Messrs. P. B. Paine, Q.C., M. L. Goeglein and W. I. M. Turner, Jr. were appointed to the Board in their stead.

While unsettled monetary conditions throughout the world cloud the horizon, the economic forecasts indicate Canada should enjoy a reasonably prosperous 1969. Your Company's growth in the next year will depend to a large extent upon its ability to obtain additional funds. Continued effort will be made to develop sources of available funds on the most favourable terms. It is expected that further progress will be achieved in 1969.

Personnel
The achievements of the year in no small way reflect the efforts of your Company's employees. On behalf of the shareholders the Directors wish to express their appreciation to the men and women of the Company who proved themselves both capable and devoted.

On behalf of the Board of Directors,

Chairman of the Board

Henry Edgar

President

Toronto, March 20, 1969

Financial Reports

Auditors' Report

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Thorne, Gunn, Helliwell & Christenson
Chartered Accountants

To the Shareholders of
Union Acceptance Corporation Limited

We have examined the consolidated balance sheet of Union Acceptance Corporation Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co. Thorne, Gunn, Helliwell & Christenson

Chartered Accountants *Chartered Accountants*
Toronto, Canada February 3, 1969

Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1968 (with comparative figures for 1967)	1968	1967
Income:		
Service charges and interest income (note 2)	$ 8,883,573	8,539,140
Other operating income	179,678	199,841
	9,063,251	**8,738,981**
Expenses:		
Interest on secured notes and debentures and amortization of debt discount and expenses	3,190,082	2,974,238
Provision for doubtful receivables	942,159	1,016,478
Direct remuneration of directors and senior officers	205,900	185,475
Depreciation	58,546	65,010
Amortization of branch development period costs	19,055	52,154
Administrative and general expenses	3,313,759	3,224,782
	7,729,501	**7,518,137**
Income before income taxes	1,333,750	1,220,844
Income taxes	693,291	616,148
Net income for the year	**$ 640,459**	**604,696**

Retained Earnings		
Balance at beginning of year	$ 2,647,408	2,191,303
Net income for the year	640,459	604,696
Profit on share purchase fund operations less amortization of share issue expenses net of income taxes	9,638	8,820
	650,097	**613,516**
	3,297,505	**2,804,819**
Deduct dividends on first preference shares	148,179	157,411
Balance at end of year (notes 12 and 13)	**$ 3,149,326**	**2,647,408**

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

UNION ACCEPTANCE CORPORATION LIMITED
(Incorporated under the laws of the Province of Ontario) and subsidiary companies

December 31, 1968 (with comparative figures for 1967)	1968	1967
Assets		
Cash	**$ 1,424,712**	**1,061,239**
Contracts receivable (note 3):		
Retail instalment notes	35,975,886	35,530,790
Consumer loans	21,493,754	22,999,747
Wholesale notes	1,238,544	1,584,381
Leases and mortgages	2,341,114	2,100,949
Real property held for sale	104,966	—
	61,154,264	**62,215,867**
Deduct:		
Allowance for doubtful receivables	1,349,996	1,163,042
Unearned service charges	4,749,990	6,049,217
	6,099,986	**7,212,259**
Contracts receivable less deductions	**55,054,278**	**55,003,608**
Accounts receivable	**56,907**	**61,974**
Special refundable tax	**24,153**	**26,343**
Other assets and deferred charges:		
Office equipment and leasehold improvements, at cost, less accumulated depreciation 1968—$463,654; 1967—$429,347	230,367	270,503
Prepaid expenses	121,447	98,276
Branch development period costs, less amount amortized	—	19,055
Expenses and discount on issue of term debt less amount amortized (note 4)	531,185	579,550
Expenses on issue of first preference shares less amount amortized (note 5)	62,835	75,402
	945,834	**1,042,786**
	$57,505,884	**57,195,950**

See accompanying notes to consolidated financial statements.

Approved by the Board:

F. E. BURROUGHES, *Director*

G. F. EDGAR, *Director*

	1968	1967
Liabilities		
Demand and short term secured notes (note 6):		
Banks	$ 7,675,625	9,501,563
Others	7,017,383	4,738,540
	14,693,008	**14,240,103**
Accounts payable and accrued liabilities	965,162	810,303
Income taxes payable	248,651	223,233
Dealers' credits and retentions	390,789	429,336
Dividends payable	36,256	38,282
Lien notes payable (note 7)	294,167	—
Deferred income taxes	191,716	215,496
Long term secured notes (notes 6 and 8)	24,230,474	24,973,309
Debentures (note 9)	6,664,531	6,844,976
	47,714,754	**47,775,038**
Shareholders' equity:		
Capital stock (note 11)		
First preference shares	2,356,900	2,488,600
Second preference shares	2,771,921	2,771,921
Common shares	1,512,983	1,512,983
	6,641,804	**6,773,504**
Retained earnings (notes 12 and 13)	3,149,326	2,647,408
	9,791,130	**9,420,912**
	$57,505,884	**57,195,950**

Consolidated Statement of Source and use of Funds

Working Capital

Year ended December 31, 1968 (with comparative figures for 1967)	1968	1967
Source of funds		
Operations:		
Net income for the period	$ 640,459	604,696
Add items not requiring cash expenditure:		
Depreciation	58,546	65,010
Amortization of branch development period costs	19,055	52,154
Amortization of debt discount and expenses	110,634	95,925
Deferred income taxes	(23,130)	117,823
	805,564	**935,608**
Short term notes and lien notes due after one year	2,208,828	—
Special refundable tax	26,343	—
	3,040,735	**935,608**
Use of funds		
Reduction of long term debt	248,335	888,835
Dividends on first preference shares	148,179	157,411
Cost of first preference shares purchased for cancellation	110,145	112,147
Debt issue expenses	62,269	38,792
Office equipment and leasehold improvements—net	18,410	16,709
Special refundable tax	—	10,143
	587,338	**1,224,037**
Increase (decrease) in working capital including contracts receivable due after one year	**$ 2,453,397**	**(288,429)**

	1968	1967	Increase (Decrease)
Working Capital including contracts receivable due after one year			
Cash	$ 1,424,712	1,061,239	363,473
Contracts receivable—net (including amounts due after one year)	55,054,278	55,003,608	50,670
Accounts receivable	56,907	61,974	(5,067)
Prepaid expenses	121,447	98,276	23,171
Special refundable tax	24,153	—	24,153
	56,681,497	**56,225,097**	**456,400**
Deduct:			
Demand notes and short term secured notes due within one year	12,688,008	14,240,103	(1,552,095)
Accounts payable and accrued liabilities	953,497	798,638	154,859
Income taxes payable	248,651	223,233	25,418
Dealers' credits and retentions	390,789	429,336	(38,547)
Dividends payable	36,256	38,282	(2,026)
Lien notes due within one year	90,339	—	90,339
Term debt due within one year	139,000	813,945	(674,945)
	14,546,540	**16,543,537**	**(1,996,997)**
Working capital including contracts receivable due after one year	**$42,134,957**	**39,681,560**	**2,453,397**

Notes to Consolidated Financial Statements

1. Principles of consolidation and currency conversion
All subsidiary companies have been wholly owned since incorporation, are included in the consolidation, and consist of Union Finance Company Limited, United Finance Company Limited, Union Leasing Company Limited and Union Realty Credit Limited. Long term secured notes and debentures issued in United States dollars are included in the consolidated balance sheet in the Canadian dollar equivalent received at the time of issue. Other United States dollar amounts are converted to Canadian dollars at the rate of exchange at December 31, 1968.

2. Method of recording income from contracts
On interest bearing consumer loans, and mortgages, income is recorded only as it is collected.

On wholesale financing provided to dealers and on automobile lease contracts, income is recorded monthly at the time of billing.

On retail instalment notes, discount basis consumer loans and equipment lease contracts, the entire service charge is credited to unearned service charges at the time of acquisition and transferred to income as follows:

On certain conditional sales contracts (retail instalment notes) acquired by the consumer loan subsidiaries where the security is used automobiles and the credit risk is considered to be greater than on other business, an amount representing between 10% and 20% of the service charge is credited to income in the month of acquisition. An equivalent amount is expensed as a provision for losses in the same month and credited to the allowance for doubtful receivables. The remainder of the service charges, which is adequate to cover the cost of servicing these accounts and to provide usual operating margins, is transferred to income monthly on the sum of the digits method over the term of the contract commencing in the month the contract is acquired.

On the remaining retail instalment notes, discount basis consumer loans and equipment lease contracts, the entire service charge is transferred to income monthly on the sum of the digits method over the term of the contract commencing in the month the contract is acquired. No amount is taken into income as an acquisition charge or fee.

3. Contracts receivable
The retail instalment notes require repayment in approximately equal monthly instalments over a specified term which varies according to the type of merchandise being financed and is usually not in excess of 36 months but may in some instances extend to 5 years. Consumer loans are repaid in a similar manner to retail instalment notes and over similar terms, but loans made under the Small Loans Act of Canada are limited to a maximum period of 30 months. Wholesale notes in all cases are on a demand basis.

The real property was acquired as a result of a foreclosure action on a mortgage loan and has been leased pending sale.

4. Expenses and discount on issue of term debt
Expenses and discount on issue of term debt are amortized to income over the term of each issue.

5. Expenses on issue of first preference shares
In 1964 the company adopted the policy of charging expenses on issue of all classes of capital stock to retained earnings in the year incurred. The unamortized balance of expenses on issue of first preference shares at January 1, 1964 is being amortized to retained earnings over a period of ten years.

6. Secured Notes payable
Notes receivable of the company and Union Finance Company Limited (included in contracts receivable in the balance sheet) aggregating approximately $46,600,000, mortgaged, pledged and hypothecated to and deposited with the trustee, constitute the security for the secured notes payable. These secured notes payable are further secured by a first floating charge upon all the undertaking and other property and assets of the company and Union Finance Company Limited.

7. Lien Notes payable
The lien notes payable in the amount of $294,167 represent the unpaid purchase price of automotive equipment purchased under conditional sale contracts for lease to customers. The lease contracts on this equipment are included in the balance sheet in leases and mortgages at the aggregate value of the lease payments in the amount of $415,900. The lien notes mature in the next three years as follows:

1969	$ 90,339
1970	194,554
1971	9,274
	$294,167

8. Long term secured notes

	1968	1967
Series A, 5¼% Sinking Fund due March 31, 1968	$ —	644,000
Series B, 5¾% due September 15, 1972	985,500	988,000
Series C, 6% due March 1, 1974	2,500,000	2,500,000
Series D, 7¼% due February 15, 1980	1,000,000	1,000,000
Series F, 6% due April 1, 1973 to 1977	1,000,000	1,000,000
Series G, 5¾% due April 1, 1974 to 1978		
Proceeds of U.S. $7,500,000—repayable in U.S. funds	8,070,627	8,070,627
Series H, 6⅛% due June 15, 1975 to 1984	2,000,000	2,000,000
Series I, 6⅛% due June 15, 1980 to 1984	2,000,000	2,000,000
Series J, 6⅛% due April 15, 1976 to 1985	1,000,000	1,000,000
Series K, 6⅛% due April 15, 1976 to 1980	5,000,000	5,000,000
Series M, 6½% due April 15, 1969 to 1975		
Balance of proceeds of U.S. $700,000—repayable in U.S. funds (repayment at the current rate of exchange would require $756,000 in Canadian funds)	674,347	770,682
	$24,230,474	**24,973,309**

9. Debentures

	1968	1967
5½% Sinking Fund, Series C, due March 1, 1974	$ 550,000	611,000
5½% Sinking Fund due November 15, 1972	511,000	553,000
6¼% due December 15, 1981	1,620,000	1,677,000
6½% due December 1, 1983	636,500	659,000
6¼% Serial, due August 15, 1974 to 1978		
Proceeds of U.S. $1,150,000—repayable in U.S. funds	1,245,234	1,245,234
6¾%, Series H, due July 2, 1980 to 1984	1,400,000	1,400,000
6¼%, Series I, due May 15, 1976 to 1980		
Proceeds of U.S. $650,000—repayable in U.S. funds	701,797	701,797
	6,664,531	**6,847,031**
Less cash on deposit with trustee	—	2,055
	$ 6,664,531	**6,844,976**

10. Debt maturity

Sinking fund requirements, and maturities of long term secured notes and debentures in the next five years are as follows:

	1968			1967
	Long term Secured Notes	Debentures	Total	Total
1968				$ 813,945
1969	$ 108,000	31,000	139,000	178,000
1970	108.000	70,000	178,000	178,000
1971	108,000	70,000	178,000	178,000
1972	1,093,500	430,000	1,523,500	1,526,000
1973	308,000	30,000	338,000	—
	$ 1,725,500	**631,000**	**2,356,500**	**2,873,945**

11. Capital stock

First preference shares, par value $50 each, issuable in series
Authorized less redeemed—236,138 (1967—238,772) shares
Outstanding:

1968	1967		1968	1967
21,817	23,041	shares 6¼% Series A, cumulative redeemable at $52.50 per share	$1,090,850	1,152,050
7,076	7,457	shares 6¼% Series B, cumulative redeemable at $52.50 per share	353,800	372,850
18,245	19,274	shares 6% Series C, cumulative redeemable at $53.00 per share	912,250	963,700
			$2,356,900	**2,488,600**

11. Capital stock, continued

	1968	1967
Participating non-voting, non-cumulative, second preference shares, without par value		
Authorized—1,500,000 shares		
Issued — 422,418 shares	$2,771,921	2,771,921
Common shares, without par value		
Authorized—750,000 shares		
Issued —474,140 shares	$1,512,983	1,512,983
Changes in issued capital in 1968:		
First preference shares:		
Purchased for cancellation—1,224 (1967–1,293) Series A shares, 381 (1967–408) Series B shares and 1,029 (1967–956) Series C shares having an aggregate par value of $131,700 (1967–$132,850).		

Holders of second preference shares are entitled to receive non-cumulative dividends at the rate of 60¢ per share per annum before any dividends are payable to holders of common shares. In any fiscal year, after holders of second preference shares and holders of common shares have each received dividends aggregating 60¢ per share, then any additional dividends are to be paid in equal amounts per share on the second preference shares and common shares. As at December 31, 1968, no dividends may be paid on the common shares until there shall have been declared, and paid or set aside for payment on the second preference shares, regular quarterly dividends for four consecutive quarterly periods at the rate of 60¢ per share per annum.

12. Retained earnings

The balance of consolidated retained earnings includes contributed surplus in the amount of $73,373 (1967—$51,818).

13. Dividends

The trust deed under which the secured notes are issued, the trust indenture under which the debentures are issued and the conditions attaching to the first preference shares contain certain provisions restricting the payment of dividends. At December 31, 1968 approximately $3,053,000 (1967—$2,522,000) of consolidated retained earnings were free of restrictions under the most stringent of these provisions.

14. Leases

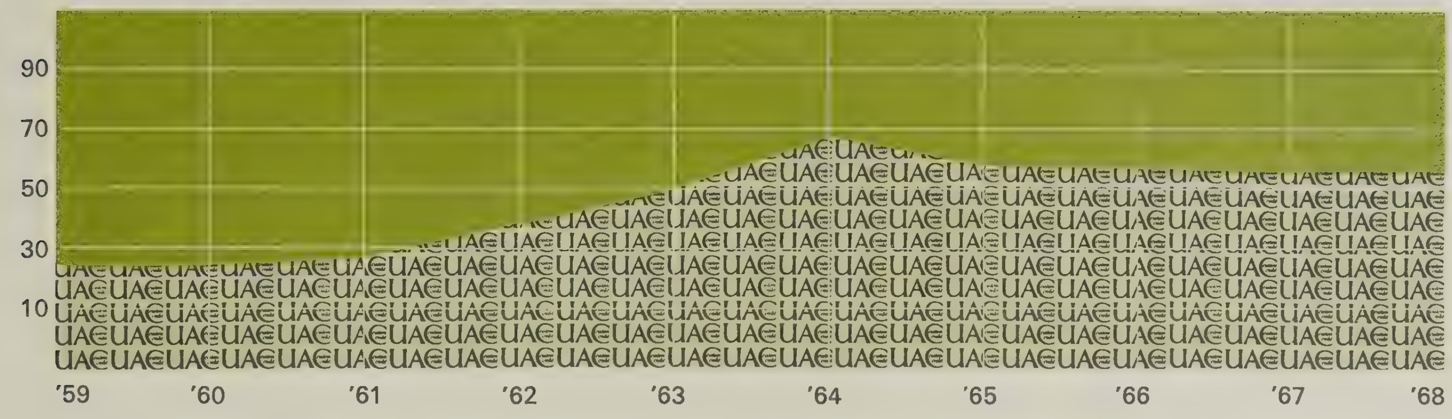
Annual rentals under leases which extend for periods in excess of five years amounted to $53,057 for the year ended December 31, 1968 (1967—$45,458) and will remain at that amount until 1974, at which time rentals will diminish according to varying expiry dates until 1982.

15. Pensions

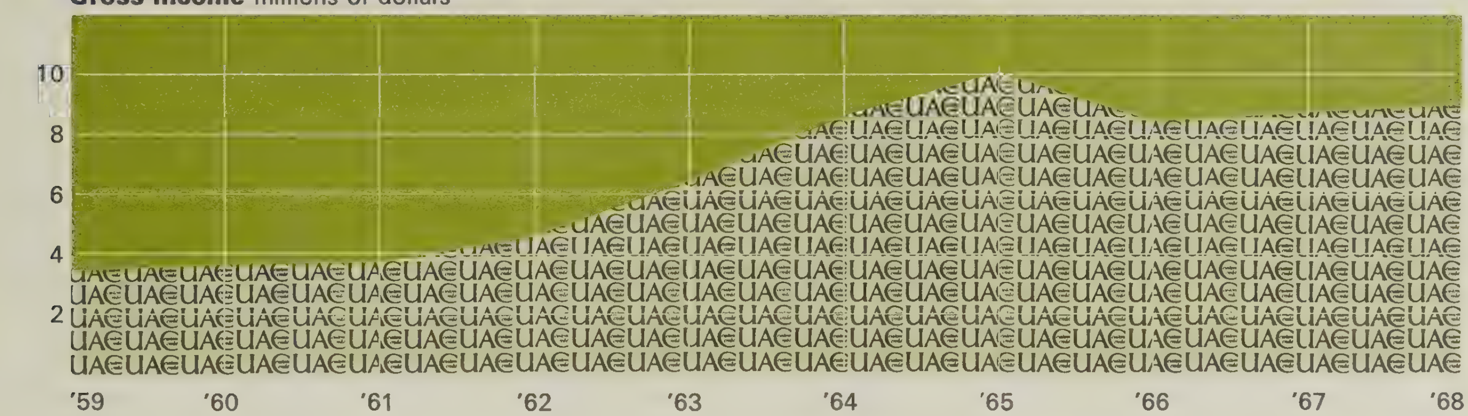
According to an independent actuarial valuation made as at December 31, 1966 the unfunded liability of the pension plan amounted to $141,482 at that date. This obligation is being satisfied and charged to operations in the amount of $11,402 per annum. Annual contributions are made and charged to operations in amounts estimated by the actuarial valuation to be sufficient to fund all current costs of the plan. Pension expense for the year ended December 31, 1968 amounted to $42,842 (1967—$40,413).

Ten Year Comparison Charts

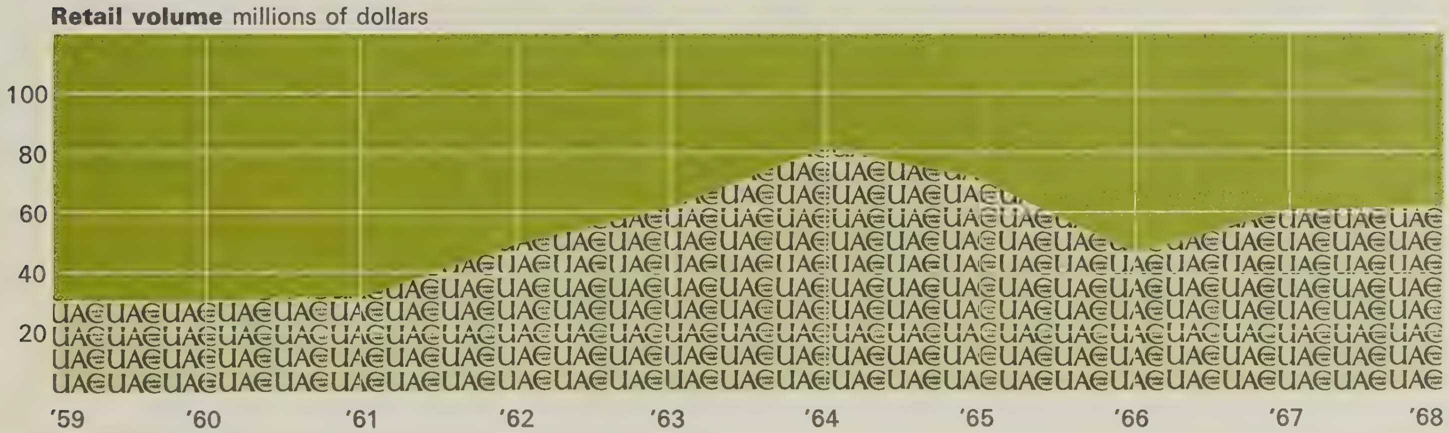
Net contracts receivable millions of dollars



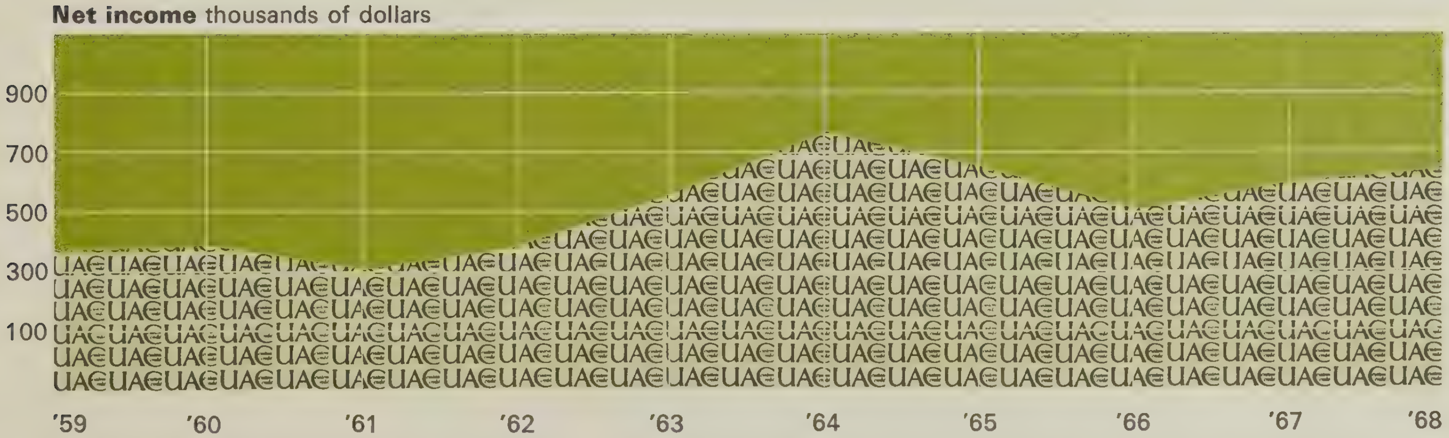
Gross income millions of dollars



Retail volume millions of dollars



Net income thousands of dollars



Ten Year Comparison Tables

	1968	1967	1966	1965	1964	1963
Total Assets	57,505,884	57,195,950	58,666,657	59,678,340	69,639,372	51,685,197
Contracts Receivable—less deductions	55,054,278	55,003,608	55,936,321	57,646,349	67,351,991	49,864,334
Unearned Service Charges	4,749,990	6,049,217	5,639,008	4,893,978	5,297,226	3,785,701
Secured Notes	38,923,482	39,213,412	40,915,586	41,492,979	53,690,979	39,444,979
Debentures	6,664,531	6,844,976	6,984,451	7,097,951	6,568,734	5,275,734
Shareholders' Equity	9,791,130	9,420,912	9,097,657	7,992,395	6,910,244	5,582,861
Gross Income	9,063,251	8,738,981	8,401,995	10,065,695	8,602,797	6,403,455
Cost of Borrowed Funds	3,190,082	2,974,238	2,978,615	3,622,510	2,917,687	2,145,444
Other Expenses	4,539,419	4,543,899	4,416,587	5,127,362	4,160,924	3,129,923
Income Taxes	693,291	616,148	503,059	657,175	762,898	568,220
Net Income	640,459	604,696	503,734	658,648	761,288	559,868
Earnings on Second Preference shares and Common shares after dividends on First Preference shares	492,280	447,285	338,847	485,167	603,480	440,845
Per share	.55	.50	.38	.72	1.12	.82
Number of Second Preference shares and Common shares outstanding	896,558	896,558	896,558	672,418	537,638	535,978

See note 11 on Second Preference shares and Common shares on page 12 of this report.

1962	1961	1960	1959
39,175,147	27,559,417	25,552,153	24,350,807
37,455,062	26,013,612	24,171,160	23,043,958
3,065,020	2,447,130	2,255,200	2,039,013
29,708,300	19,375,000	19,191,500	17,664,500
4,140,000	3,520,000	1,722,000	1,827,500
4,452,781	3,914,073	4,002,423	3,992,514
4,627,491	3,692,776	3,649,242	3,400,077
1,530,393	1,104,456	1,145,032	1,006,793
2,354,934	1,937,267	1,731,318	1,652,064
359,713	348,244	389,100	373,400
382,451	302,809	383,792	367,820
296,915	192,754	291,158	328,601
.71	.47	.71	.80
416,204	412,669	409,144	408,924

Comments of Interest to the Shareholders

The Company enjoys a strong liquid position with cash and unused bank lines well in excess of Short Term Secured Notes maturing within one year. The schedule below shows the Company's current position at December 31, 1968, with assets realizable within one year 2.67 times greater than liabilities due within the same period.

Assets realizable within one year:	
Cash	$ 1,424,712
Wholesale receivables payable on demand	1,238,544
Estimated maturities of contracts receivable	36,153,160
Accounts receivable	56,907
	$38,873,323
Liabilities due within one year:	
Demand and short term secured notes: Banks	$ 7,675,625
Others	5,012,383
Accounts payable and accrued liabilities	953,497
Income taxes payable	248,651
Dealers' credits and retentions	390,789
Dividends payable	36,256
Lien notes payable	90,339
Long term secured notes	108,000
Debentures	31,000
	$14,546,540
Excess of assets realizable within one year over liabilities due within one year	**$24,326,783**

UNION ACCEPTANCE CORPORATION LIMITED

Head Office
Union Building, 212 King Street West, Toronto

Assistant Vice-Presidents
I.B. Jackson
R.B. McClure

Credit Manager
K.F.D. Harwood

Branch Offices

Halifax	Sudbury
Truro	Timmins
Montreal	Winnipeg
Val d'Or	Regina
Toronto (3)	Calgary
Barrie	Edmonton
Hamilton	Vancouver
London	Vernon
Ottawa	

UNION FINANCE COMPANY LIMITED/ and UNITED FINANCE COMPANY LIMITED

Assistant Vice-President
R.R. Leonard

General Supervisors
J.J. Doyle
D.R. Kilburn

District Supervisors
K. Brown
M. Ethier
H.E. Glasgow
W. Granleese
H.E. Harris

Branch Offices

Dartmouth	Roberval	Port Arthur	Kelowna
Halifax	Ste. Thérèse	St. Catharines	Kamloops
Truro	Val d'Or	Sault Ste. Marie	New Westminster
Saint John	Verdun	Sudbury	North Surrey
Alma	Toronto (5)	Timmins	Prince George
Hull	Barrie	Windsor (2)	South Burnaby
Jonquière	Hamilton (2)	Winnipeg	Vancouver (3)
Levis	Kingston	Regina	Victoria
Montreal (3)	London	Coquitlam	
Quebec (2)	Ottawa	Dawson Creek	

UNITED FINANCE COMPANY LIMITED

Calgary (2)
Edmonton (2)

UNION LEASING COMPANY LIMITED

Assistant General Manager
J. Wood

Produced in Canada by Southam • Murray

UNION ACCEPTANCE CORPORATION LIMITED

AND SUBSIDIARY COMPANIES

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To the Security Holders:

The Directors present the following interim report on the consolidated operations of the Company for the SIX MONTHS ENDED JUNE 30th, 1968, with comparative figures for 1967:

	1968	1967
Gross operating income	**$4,613,000**	$4,393,000
Cost of borrowed funds	**1,616,000**	1,503,000
Other operating expenses	**2,316,000**	2,258,000
Income before taxes	**681,000**	632,000
Income taxes	**351,000**	320,000
Net income	**330,000**	312,000
Earnings on Second Preference and Common shares after dividends on First Preference shares	**28¢**	26¢

Gross income for the first half increased by 5% or $220,000 over the same period last year. Net income increased to $330,000 which amounted to 4.39 times the First Preference share dividend requirements. It is expected that the earnings for the next quarter will be approximately the same as for last year.

The principal common shareholders of the Company were Confederation Development Corporation Limited of Montreal, Quebec, with 150,300 shares and Compagnie De Participations D'Etudes et De Valeurs Mobilières (COPEVAM) of Paris, France, with 184,781 shares. The Banque de Paris et des Pays-Bas, Paris, France, beneficially owns more than 50% of the equity shares of these two companies.

We were advised by Confederation Development Corporation Limited of the transfer of their shares to Banque de Paris et des Pays-Bas and we have concurrently been advised by the Banque de Paris et des Pays-Bas, Paris, France, that they have sold the 150,300 shares to the Banque de Paris et des Pays-Bas (Suisse) S.A. of Geneva, Switzerland. At the same time COPEVAM advised that they have ceded their holdings of 184,781 common shares to the Banque de Paris et des Pays-Bas (Suisse) S.A. Upon completion of these transfers Banque de Paris et des Pays-Bas (Suisse) S.A. will hold 70.67% of the 474,140 outstanding common shares of the Company.

On behalf of the Board,

F. E. Burroughes, Chairman

G. F. Edgar, President

Toronto, Ontario, August 12th, 1968

Statement of Consolidated Source and Use of Funds

(Unaudited Interim Report)

	Six Months ended June 30 1968	1967
Source of Funds:		
Operations:		
Net income for the period	**$ 330,000**	$ 312,000
Add items not affecting working capital:		
Depreciation of office equipment and amortization of leasehold improvements	**28,000**	32,400
Amortization of branch development costs	**9,600**	28,300
Amortization of debt discount and expenses	**46,800**	48,000
Deferred income taxes	**8,500**	—
Total funds from operations	**422,900**	420,700
Proceeds of disposal of office equipment	—	1,900
Total	**$ 422,900**	$ 422,600
Use of funds:		
Additions to office equipment and leasehold improvements	**$ 9,400**	$ 9,800
Deferred charges—debt discount and expenses	**11,800**	10,600
Reduction of deferred income taxes	—	18,000
Special refundable tax	**4,400**	14,500
Reduction of long-term secured notes and debentures	**144,800**	808,800
First preference shares purchased for cancellation	**48,900**	36,100
Dividends on first preference shares	**75,100**	79,800
Investment in land and buildings	**106,200**	—
Total	**400,600**	977,600
Increase (decrease) in working capital	**22,300**	(555,000)
Working capital at beginning of year	**39,681,600**	39,969,900
Working capital at end of period	**$39,703,900**	$39,414,900

UNION ACCEPTANCE CORPORATION LIMITED
212 King Street West, Toronto, Canada

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